



1964

Annual Report

NATIONAL BISCUIT COMPANY



ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1964



ANNUAL MEETING: The Annual Meeting of shareholders will be held on Wednesday, April 14, 1965 at the Commodore Hotel in New York City. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to shareholders approximately 30 days in advance of the meeting.

Financial Highlights

	1964	1963
Net sales	\$607,500,000	\$578,400,000
Income from operations	73,600,000	70,900,000
Net income	36,500,000	33,900,000
Net income per dollar of sales	6.0 cents	5.8 cents
Net income per common share	2.66	2.47
Dividends declared per common share	1.70	1.60
Earnings retained in the business	13,200,000	12,200,000
Cost of plant and equipment additions	14,700,000	11,800,000
Current assets	166,900,000	152,800,000
Current liabilities	70,100,000	65,800,000
Working capital	96,800,000	87,000,000

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President Lee S. Bickmore

To Nabisco Shareholders:

It is particularly pleasing to report to you, our 80,000 shareholders, another record year of accomplishment for NABISCO. The year 1964 was significant to the future progress and direction of the Company.

This was NABISCO's 67th year of operation and the results were the finest in our history. Your Company, as a provider of branded consumer goods, continues to show progress in its efforts to satisfy consumers, develop our employees and increase the return on your investment.

Net sales exceeded \$600 million for the first time.

This is the sixth consecutive year of record sales, with final results of \$607.5 million, up five per cent from the previous year.

Earnings also were at record levels and totaled \$36.5 million, equal to \$2.66 per share of common stock. This compares with the 1963 profit figure of \$33.9 million, or \$2.47 per share and represents a gain of 7.7 per cent.

Dividends were increased in 1964, for the sixth straight year. Quarterly payments per share were increased to \$.42½ and total dividends declared for the year amounted to \$1.70, up 10 cents from 1963. The Company is now in its 66th consecutive year of regular quarterly dividend payments.

The increases in both sales and earnings came as a result of consistent improvement on the part of NABISCO's major product lines. New products introduced at home and abroad made substantial contributions. This was particularly true in the case of several United States-style crackers which have been brought to international markets by our subsidiaries abroad. Effective programs of advertising and promotion enhanced our market positions. Continued attainment of production and administrative economies helped to translate sales gains into higher earnings.

Net Sales by Quarters

(Millions of Dollars)

Quarter Ended		1964	1963	1962
March	31	\$148.3	\$142.0	\$133.9
June	30	147.1	140.4	128.6
September	30	153.2	145.2	136.0
December	31	158.9	150.8	149.0
Total		\$607.5	\$578.4	\$547.5

NABISCO's financial position continued strong at the end of the year. Working capital amounted to \$96.8 million at December 31, 1964, an increase of \$9.8 million from a year earlier. Cash and marketable securities totaled \$72.1 million, also up from our position at the close of 1963.

Important progress was made during 1964 in NABISCO's continuing program of broadening its interests and of further diversifying its product lines. The tempo of this program as described later in this report has been stepped up in recent years.

In April NABISCO formed an association with the Trueller Biscuit Company, located at Celle, near Hannover in West Germany. Trueller, founded in 1891, is a major bakery and confectionery manufacturer. The firm has 1,300 employees and produces a broad line of cookies, pretzels, chocolates, and other confections. This association marks NABISCO's entrance into the prosperous and growing West German economy and in-

creases our participation in the European Common Market.

With the Trueller Company, NABISCO's international organization is increased to a total of 37 manufacturing units in nine countries. The international organization is supplemented by an export operation that ships NABISCO products throughout the world.

The Company's marketing programs continued to focus attention on the development of new and improved products. The introduction of uniquely flavored snack crackers has been an outstanding success. Here, briefly, is a list of leading new and improved NABISCO products which were introduced in 1964 and which have achieved significant sales results:

- CHICKEN-IN-A-BISKIT crackers
- CHIT CHAT barbecue flavored crackers
- WARM WELCOME crackers
- CASHEW NUT cookies
- CINNAMON ALMOND cookies
- HERMIT cookies—FAMILY FAVORITES label
- HOO-RAYS toasted cocoanut caramel logs
- MERRI ROLLS—mint flavored
- NABISCO SALTED PEANUTS
- WELCH'S CHOCOLATE PEANUT BUTTER BAR
- WELCH'S MILK CHOCOLATE CRUNCH

Net Sales



Capital expenditures are NABISCO's investment in the future. They are made for the purpose of making the Company more productive, efficient and better equipped to increase its profitable operation.

In 1964 our capital spending totaled \$14.7 million, up from \$11.8 million a year earlier. The major capital project was the start of construction of the Company's new cracker and cookie

bakery at Buena Park, near Los Angeles, California. This plant is scheduled for completion in 1965 and, located in the population growth area of Southern California, will provide necessary additional production capacity on the West Coast.

The bakery will initially house three band ovens, with space for installing a fourth. It has been so designed that its size can be increased to house a fifth and sixth oven when the need arises. The new plant will employ between 400 and 500 persons.

A sixth oven was installed in the new addition to our Chicago Bakery. The oven is part of a special baking unit of NABISCO design which permits the continuous processing of our coated products with a resultant improvement in quality.

In the United States we completed facilities at Woodbury, Georgia for the processing of additional products which we are now marketing in our NAB and vending lines. This plant is also producing peanut butter for use in a number of

our baked products.

The Company's domestic distribution facilities were improved with the addition of five new sales and warehouse buildings. Our present total of 214 Biscuit Division distribution branches provides a nationwide network of customer service facilities unmatched in our industry.

Several large capital projects were also undertaken or planned in 1964 by our international subsidiaries. In Canada, Christie, Brown & Company completed installation of the first pretzel-baking oven in that country. It is now producing pretzel products which formerly were imported from the United States. In Australia, Nabisco, Pty., Limited has announced plans to build a large food manufacturing plant on a 27-acre site in suburban Melbourne. In addition, other expansion projects are underway in France, England and Germany.

Steps were taken during the year which will materially strengthen NABISCO's marketing

This artist's drawing shows the new NABISCO sales and distribution warehouse now under construction at Charleston, S. C. It is one of 214 similar buildings operated by the Biscuit Division throughout the United States.



and development programs have brought a number of successful innovations. For example, the Company has considerably extended its line of snack crackers, a product category which has enjoyed substantial growth in recent years. During 1964 three snack items with markedly new and distinctive flavors were brought to the market. CHICKEN-IN-A-BISKIT crackers, CHIT CHAT barbecue flavored crackers, and WARM WELCOME crackers, which have an Italian-meatball taste, have been typical of our growing line of snack crackers which have proved popular with consumers.

NABISCO's Bread Division, in seeking to find new markets, has developed a number of specialty breads which have met with success. These OLD WORLD round loaves have distinctly different flavors and, packaged in re-closable plastic bags, have made an excellent contribution in the expansion of what has long been a fairly static market. In addition, the Bread Division has developed several new, successful sweet pastry products.

These are typical of the type of baked products which we steadily seek to develop through NABISCO's research and test-baking facilities. When they are successfully received by consumers they help our various divisions strengthen their market positions by increasing volume in their own product categories. The year 1965 will see further new products given extensive market tests as we endeavor to determine how consumers relate values such as quality, convenience and variety to such products.

But healthy business growth also includes expansion into other new fields and new product lines. In 1961 NABISCO added the line of CREAM OF WHEAT hot cereals which, while completely dif-

ferent from our cold ready-to-eat cereals was a natural move toward marketing a full line of breakfast products. Two years later we entered the candy business through the James O. Welch line of assorted candy products, including the popular SUGAR DADDY and SUGAR BABIES. Both of these diverse product categories were new ventures for NABISCO but in each case have developed as important additions. This policy of product diversification should continue as a key factor in NABISCO's orderly growth at home.

The International Scene

The Company's expansion of domestic interests has been accompanied by an equally active increase in NABISCO's international operations. We have long maintained a lively interest in this area and NABISCO has operated plants in Canada and England since 1928. In Canada, our subsidiary companies produce crackers, cookies, pretzels, bread, cereals and MILK BONE brand pet foods; and the most recent Canadian operation, acquired in 1959, has the excellent ROSE brand line of pickles, olives, jams and jellies.

NABISCO's early operations in England were confined to a single product, NABISCO SHREDDED WHEAT. In recent years the Company has developed a multi-product line which includes MARY BAKER cake mixes, other cereal products and American-style crackers. In 1962 we acquired an English biscuit firm, Frears, Limited, and this excellent addition further diversified our English product line. Early in 1965 we are beginning a new system of distribution in England which will improve service to the retailer. Also we are currently testing a limited number of Frears' items in Canada and the United States.

Formal first-day ceremonies mark the opening of the new Nabisco-Famosa sales branch in Leon, Mexico. City dignitaries and religious leaders participate in the ceremonies with Company officials and traditional ribbon-cutting is done by the Mayor of Leon.



Nabisco-LaFavorita, a Venezuelan affiliate since 1950, produces a line of crackers and cookies including many of our popular domestic items. In 1953 we acquired a majority interest in Nabisco-Famosa in Mexico, which, in addition to crackers and cookies, has a number of spaghetti and macaroni products plus prepared cake mixes. Here again we are greatly strengthening our distribution methods and now have three sales branches operating in areas up to 600 miles from Mexico City—the latest, located in Leon, opened in August 1964.

In 1961 NABISCO purchased the cracker firm of Arbona Hermanos in Puerto Rico to extend our operations in Latin America.

The growth of our activities abroad has taken NABISCO into Australia (1960), France (1961), New Zealand (1962), a second acquisition in France (1963), and into West Germany in 1964. The growth of this network of international sub-

sidaries has brought to NABISCO a wide range of product diversification outside the United States—from pickles and olives in Canada; to cereals, noodles, waxes and shoe polish in Australia; to candy, cough drops and lozenges in New Zealand. This increasingly varied product list has greatly extended the marketing and production experience and knowledge that continued growth and expansion demand.

During this period of expansion abroad, NABISCO's international business has steadily increased. Operations in Australia, Canada, Great Britain and New Zealand account for 14 per cent of our consolidated sales and a somewhat smaller per cent of consolidated net earnings. Current sizable investments in plants and new distribution and marketing programs, for both our consolidated and non-consolidated international units, will enable us to realize the growth potential which exists in countries throughout the world.

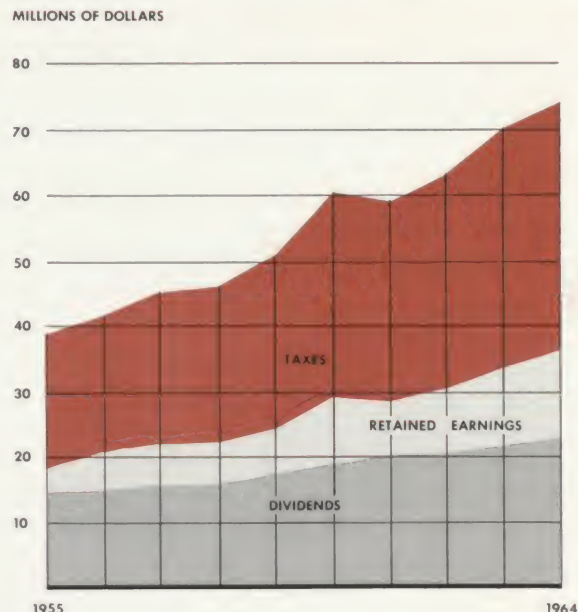
operations. We have established a Packaging Department under the direction of Harry F. Schroeter, Vice President. This department has the responsibility of co-ordinating all of the Company's packaging activities at home and abroad. Superior packaging is essential to successful marketing in the highly competitive fields in which each of our divisions and subsidiaries operate. This new department has been created to help achieve our objectives of anticipating and satisfying consumer preferences and requirements. The importance of packaging is readily appreciated when it is realized that over three billion NABISCO packages are bought by United States consumers each year.

Another management change concerns a realignment of responsibilities in the marketing organization of our Biscuit Division. We have placed all marketing functions under separate managers of specific groups of products. This system centers product responsibility and authority for action and will benefit the division's growing and multi-product lines.

In the fall of 1964 we established a Plans Coordinating Committee which is headed by the four Senior Vice Presidents. This team already is showing real value in guiding corporate policy for increasing profits—especially coordination of efforts for long-term benefits.

In 1964 the International Division was reorganized to better counsel NABISCO's operations abroad. Specific staff groups have been established in finance, sales, marketing, operations and personnel. These specialists will provide valuable assistance to our management overseas and should further strengthen NABISCO's operations throughout the world.

Distribution of Income Before Taxes



In November, 1964 Farish A. Jenkins was elected Vice President—Communications. Mr. Jenkins, who joined NABISCO earlier in the year, had previously been Executive Vice President of McCann-Erickson, Inc., and has been associated with NABISCO advertising for over 18 years.

The Board of Directors and management wish to extend sincere thanks and appreciation to the thousands of persons whose help and assistance made the fine results of 1964 possible. The talents and energies of NABISCO employees, the resourcefulness of our suppliers, and the fine support of our customers and shareholders—all these have made a significant contribution to our achievements. The continuation of this cooperation will play a decisive part in the realization of our future objectives.

Lee S. Bickmore

February 23, 1965

President

Growth and Diversification

For most of its 67 years of operation National Biscuit Company has been known principally as a cracker and cookie firm. A leading figure in this specialty baking field since its formation in 1898, NABISCO has earned an excellent reputation by the consistently high quality of its baked products. This reputation of dependable NABISCO quality has been the cornerstone upon which the Company's progress and profitable operations have been achieved.

A number of years ago it became apparent that there were many opportunities for NABISCO in food product categories other than crackers and cookies. Earlier efforts in this direction—in cereals, pet foods and bread and rolls—had been encouraging to the degree that we began to pursue a policy of product diversification.

The policy encompassed two major areas. We were interested in expanding our domestic prod-

uct lines to other than cracker and cookie products. And we became equally intent on extending our activities outside the United States on a broader scale. At the close of 1964 it may be well to review events of recent years as the Company has sought to carry out this two-part program of accelerating its growth and profitability as a truly international corporation.

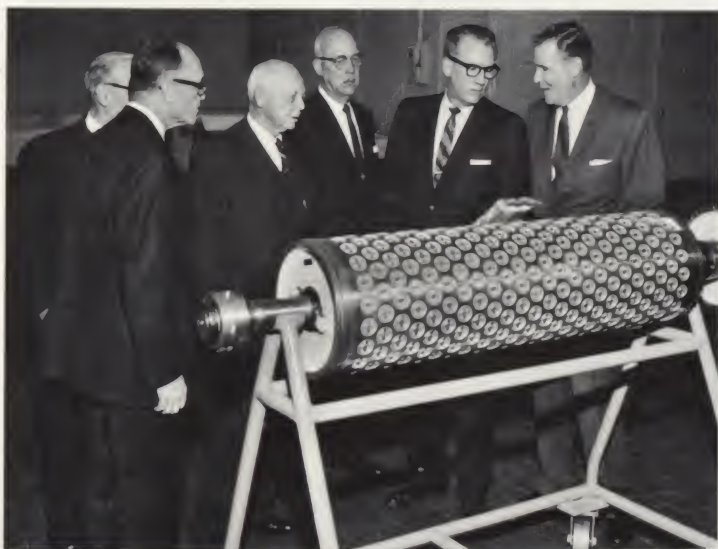
The Domestic Scene

On the domestic scene, NABISCO has expanded into a number of new product categories in recent years. Last year's Annual Report announced that we had entered the frozen food field by securing the United States distribution rights for a line of imported frozen Danish pastries. We have since extended the areas in which these products are now available. This high quality line, bearing the PASTRY CHEF label, consists of imported pastries and coffee cakes plus domestically produced whipped cream layer cakes and pies. We are planning to expand distribution to other areas in the near future. The NABISCO identification will insure consumers the very best in frozen baked products.

NABISCO also reported a year ago that it was conducting market tests of a new cereal product, TEAM FLAKES. This product, made of a blend of four grains—rice, corn, oats and wheat—is the first flake cereal NABISCO has added to its cereal line. The product has received encouraging consumer favor in its test stages and the areas of distribution are being expanded steadily.

These new product categories are a departure from the traditional cracker and cookie items which consumers have normally associated with NABISCO. But in the traditional lines too, research

Members of the Board of Directors view giant cookie cutter during visit to new Chicago Bakery addition.



NABISCO

NABISCO PRE-SELLS WITH ADVERTISING

NABISCO advertising brings consumers persuasive messages about NABISCO products. Whether in magazines or newspapers, on television or radio, our advertisements are designed to be as attractive and compelling as we can make them. Three recent magazine pages are presented here—interesting and attractive, yet each stressing the appropriate selling point.

Unchanging quality (upper, right)

Packaging convenience (lower, right)

Product superiority (lower, left)



Styles change! But Nabisco Shredded Wheat has been too good to change for over 60 years!



So we made the only change possible: our package.
Nabisco takes nature's own nutritious wheat and turns it into a breakfast cereal too good to improve. Crisp. Nutlike. Just plain satisfying. We wouldn't change it. You wouldn't let us. But we're style conscious, so we did change our dress. Now, it's sunny-morning yellow. What's inside, though, is the same Shredded Wheat that's been satisfying folks for more than 60 years. Has it satisfied you lately?

© NABISCO 1964



The only time
the creamy-rich filling
of OREO[®]
has ever been beaten



Fluffiest, creamiest filling ever. Lavishly tucked between crisp, crisp cookies rich with real Dutch cocoa and pure chocolate. America's best-tasting, best-loved cookie—OREO Creme Sandwich.

© NABISCO 1964



Wouldn't it be nice
if you could reclose tomatoes
(to keep them fresh?)

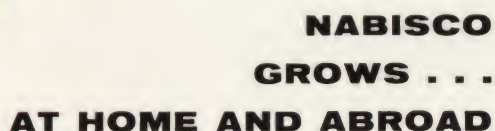
Like PREMIUM
Saltine Crackers

The reclosable moisture-proof Stack Pack keeps PREMIUM Saltines crisp to the very last cracker.

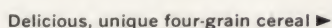
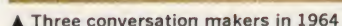


Open a Stack Pack. Saltine crackers are crisp. You can close the Stack Pack back. Never sealed in by Nabisco crispness held in by the Stack Pack.

© NABISCO 1964



Expansion of NABISCO's domestic product lines, and of our activities in other countries, has produced the pictures on these pages. A variety of new product categories, some of them in various stages of development and testing; the extension of successful, well-known NABISCO items into new markets; and the growth of the Company's operations abroad; all combine to present an interesting sample of NABISCO's continuing program of growth and diversification.



▼ Welch's growing candy line

Imported and domestic frozen pastries ▲





▲ Belin features continental design



Six countries—one design ►

▼ Creme filled pastry rolls

▼ Trueller Bakery at Celle, Germany



▼ Inner-wrapped for convenience, freshness



▲ Attractive party and entertainment ideas

▼ Vending machines feature NAB packets

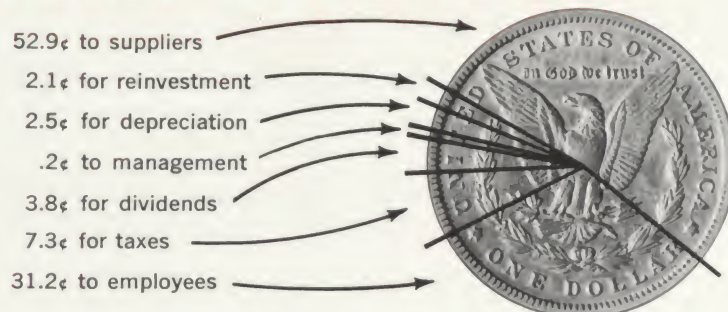


NABISCO OFFERS CONVENIENCE

Increasing emphasis on product quality, convenience, and service is one of the most significant features of today's food market place. NABISCO seeks to give consumers the finest in convenient packaging, helpful ideas and suggestions for the use of our products, and a variety of versatile package sizes to meet the needs and preferences of consumers of all ages and interests.

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

How Each Nabisco Sales Dollar Was Used



Summary of Operations - 1964 (Thousands of Dollars)

We received from sale of our products	\$607,463	100%
We expended for		
Raw materials, supplies and services bought from others . . .	321,543	52.9
Employees' services (wages, pensions, social security taxes, etc.)	189,246	31.2
Direct taxes, except social security taxes	43,954	7.3
Estimated wear and tear on plant and equipment	15,133	2.5
Officers' salaries for management of the business	1,491	.2
Leaving profits* which were		
Distributed as dividends to the shareholders	\$ 23,267	3.8
Retained in the business for expansion and modernization . . .	12,829	2.1

* National Biscuit Company also received interest and miscellaneous income of \$2,190,000 arising from activities not related to the manufacture or sale of its products, and incurred interest expense on subordinated debentures of \$1,734,000. These items, after taxes, added \$369,000 to net income.

Changes in Consolidated Working Capital (Millions of Dollars)

	1964	1963	1962
Funds Provided by			
Net income	\$36.5	\$33.9	\$30.8
Depreciation (reduces net income, but does not represent cash outlay)	15.1	15.1	14.6
Total funds provided	51.6	49.0	45.4
Funds Applied to			
Dividends declared	23.3	21.7	20.7
Additions to plant and equipment	14.7	11.8	24.0
Other items (net)	3.8	.8	7.3
Total funds applied	41.8	34.3	52.0
Increase (decrease) in working capital	\$ 9.8	\$14.7	\$(6.6)
Consisting of changes in			
Cash and marketable securities	\$13.3	\$15.5	\$(8.2)
Accounts receivable	2.1	.5	4.1
Inventories	(1.2)	1.7	4.6
Current liabilities	(4.4)	(3.0)	(7.1)
	\$ 9.8	\$14.7	\$(6.6)

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

FINANCIAL POSITION

	December 31, 1964	December 31, 1963
Current assets		
Cash	\$ 17,083,000	\$ 18,530,000
Marketable securities (approximately market)	55,060,000	40,317,000
Accounts receivable	26,403,000	24,351,000
Inventories	68,392,000	69,619,000
Total current assets	<u>166,938,000</u>	<u>152,817,000</u>
Less current liabilities		
Accounts payable and accrued expenses	38,466,000	34,907,000
Common dividend payable	5,817,000	5,475,000
Federal and foreign taxes on income	25,854,000	25,392,000
Total current liabilities	<u>70,137,000</u>	<u>65,774,000</u>
Working Capital	96,801,000	87,043,000
Investment in and advances to foreign subsidiaries, not consolidated	21,055,000	14,333,000
Other assets	11,259,000	11,679,000
Plants, real estate, machinery and equipment	130,837,000	132,108,000
Total assets less current liabilities	<u>259,952,000</u>	<u>245,163,000</u>
Deduct		
4¾ % subordinated debentures, due April 1, 1987 . . .	36,497,000	36,497,000
Deferred federal and foreign taxes on income	6,565,000	4,974,000
Excess of assets over liabilities	<u><u>\$216,890,000</u></u>	<u><u>\$203,692,000</u></u>
Represented by		
Capital stock, common	\$ 68,460,000	\$ 68,460,000
Par value \$5—shares authorized 24,000,000, issued 13,691,922		
Additional paid-in capital	923,000	923,000
Retained earnings	147,507,000	134,309,000
	<u><u>\$216,890,000</u></u>	<u><u>\$203,692,000</u></u>

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

INCOME AND RETAINED EARNINGS

	<u>1964</u>	<u>1963</u>
Net sales	<u>\$607,463,000</u>	<u>\$578,417,000</u>
Cost of sales	365,750,000	346,988,000
Selling, general and administrative expenses	140,221,000	132,891,000
Depreciation	15,133,000	15,135,000
Taxes (other than federal and foreign taxes on income) . .	12,771,000	12,505,000
Interest and miscellaneous income	(2,190,000)	(1,511,000)
Interest on subordinated debentures	1,734,000	1,734,000
Federal and foreign taxes on income	<u>37,579,000</u>	<u>36,804,000</u>
Total	<u>570,998,000</u>	<u>544,546,000</u>
Net income	36,465,000	33,871,000
Retained earnings January 1	134,309,000	122,099,000
	<u>170,774,000</u>	<u>155,970,000</u>
Common dividends declared, \$1.70 per share in 1964, \$1.60 per share in 1963	23,267,000	21,661,000
Retained earnings December 31	<u><u>\$147,507,000</u></u>	<u><u>\$134,309,000</u></u>

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

INVENTORIES generally are stated at average cost or market, whichever is lower, and comprise

	<u>1964</u>	<u>1963</u>
Raw materials and supplies	\$40,530,000	\$44,827,000
Finished product	27,862,000	24,792,000
	<u>\$68,392,000</u>	<u>\$69,619,000</u>

INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES, NOT CONSOLIDATED at December 31, 1964 includes approximately \$9,900,000 representing the Company's equity in tangible net assets of these subsidiaries; the balance consists principally of the remaining unamortized excess of cost of investment over net assets acquired. Equity in combined net income and losses of unconsolidated subsidiaries for 1964 is not significant.

OTHER ASSETS at December 31, 1964 include \$9,169,000 of remaining unamortized excess of cost of investment over book amount of net assets of consolidated foreign subsidiaries acquired since 1958, and \$2,090,000 consisting principally of prepaid expenses and deferred charges.

PLANTS, REAL ESTATE, MACHINERY and EQUIPMENT are stated at cost and comprise

	<u>1964</u>	<u>1963</u>
Buildings	\$ 89,611,000	\$ 85,892,000
Machinery and equipment	180,072,000	173,350,000
	<u>269,683,000</u>	<u>259,242,000</u>
Less allowances for depreciation	144,279,000	132,467,000
	<u>125,404,000</u>	<u>126,775,000</u>
Land	5,433,000	5,333,000
	<u>\$130,837,000</u>	<u>\$132,108,000</u>

INVESTMENT CREDIT—The Company amortizes the investment credit over the lives of the qualifying assets. Under this method the effect on current net income is minimized.

LONG-TERM LEASES—Annual rentals on properties operated by the Company under leases expiring from 1968 to 1982 aggregate approximately \$3,100,000.

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

NOTES (continued)

STOCK OPTION PLAN—In April 1964, the stockholders of the Company approved a Stock Option Plan authorizing the granting to officers and other key employees of the Company and its subsidiaries, of options to purchase 250,000 shares of the Company's common stock at not less than 100% of the fair market value of the stock on the date the options are granted. All options must be exercised within a period of five years from the date granted and are exercisable commencing with the second anniversary date. Options for the purchase of 91,300 shares at \$60.75 and 800 shares at \$68.00 were granted during 1964. These options, which become exercisable to the extent of 31,870 shares in 1966, 30,420 shares in 1967 and 29,810 shares in 1968, expire in 1969.

CONSOLIDATED FOREIGN SUBSIDIARIES are included in the financial statements for 1964 at the following U. S. dollar amounts (translated at appropriate rates of exchange): working capital, \$8,996,000; net plant assets, \$25,539,000; net sales, \$85,482,000; and net income, \$3,398,000.

REPORT OF AUDITORS

TO THE SHAREHOLDERS OF NATIONAL BISCUIT COMPANY:

We have examined the statement of financial position of National Biscuit Company and consolidated subsidiaries as of December 31, 1964 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the company and consolidated subsidiaries for the year 1963.

In our opinion, the accompanying statements of financial position and income and retained earnings present fairly the financial position of National Biscuit Company and consolidated subsidiaries at December 31, 1964 and 1963, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, February 1, 1965.

LYBRAND, ROSS BROS. & MONTGOMERY

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

TEN YEAR FINANCIAL REVIEW

Dollars in Millions (except per share figures)

	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955
Net sales	\$607.5	\$578.4	\$547.5	\$486.3	\$463.6	\$429.0	\$413.3	\$424.5	\$410.5	\$389.6
Earnings before income taxes . .	74.0	70.7	63.8	59.2	60.8	51.2	46.4	45.7	41.9	39.2
Federal and foreign taxes on income	37.5	36.8	33.0	30.8	31.5	26.7	24.3	23.6	21.6	20.9
Net income	36.5	33.9	30.8	28.4	29.3	24.5	22.1	22.1	20.3	18.3
Earnings retained in the business	13.2	12.2	10.2	7.8	10.4	7.5	6.3	6.3	5.8	3.8
Net income per common share .	2.66	2.47	2.22	1.98	2.04	1.78	1.59	1.59	1.45	1.30
Dividends declared										
Preferred stock	—	—	.4	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Common stock	23.3	21.7	20.2	18.9	17.2	15.3	14.1	14.1	12.8	12.8
Per common share	1.70	1.60	1.50	1.40	1.25	1.20	1.10	1.10	1.00	1.00
Current assets	166.9	152.8	135.1	129.6	129.7	112.2	99.0	92.0	95.1	94.8
Current liabilities	70.1	65.8	62.8	52.4	53.9	46.0	44.5	46.9	45.0	46.5
Working capital	96.8	87.0	72.3	77.2	75.8	66.2	54.5	45.1	50.1	48.3
Plant and equipment (net) . .	130.8	132.1	136.5	125.3	121.4	121.3	130.0	133.0	123.3	120.1
Plant and equipment expenditures	14.7	11.8	24.0	16.8	11.5	8.4	9.7	21.6	15.7	18.1
Cost of employees' services . .	189.2	180.3	172.5	156.8	148.9	140.1	136.2	135.6	133.5	130.3
Provision for all taxes (except social security).	44.0	43.2	39.9	36.1	36.7	31.5	29.0	28.1	25.8	25.0
Book value of common stock . .	216.9	203.7	191.5	195.7	187.8	171.1	163.7	157.4	151.1	145.3
Book value per common share .	15.84	14.88	13.99	14.50	13.92	13.40	12.81	12.32	11.83	11.38
Number of shareholders . . .	80,000	80,500	81,400	83,200	77,300	75,800	75,700	75,600	72,300	70,300

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

LAWRENCE A. APPLEY	GEORGE A. MITCHELL
LEE S. BICKMORE	WILLIAM H. MOORE
BERFORD BRITTAIN, JR.	ALEXANDER C. NAGLE
NILE E. CAVE	LIVINGSTON PLATT
WILLIAM H. COLVIN	CARROL M. SHANKS
JESS H. DAVIS	PERRY M. SHOEMAKER
HARRISON F. DUNNING	ROY E. TOMLINSON
DON G. MITCHELL	

EXECUTIVE COMMITTEE

LEE S. BICKMORE	ALEXANDER C. NAGLE
JESS H. DAVIS	LIVINGSTON PLATT
DON G. MITCHELL	ROY E. TOMLINSON
GEORGE A. MITCHELL	

OFFICERS

EXECUTIVE DEPARTMENT

LEE S. BICKMORE	President
GEORGE A. MITCHELL	Executive Vice President
NILE E. CAVE	Senior Vice President
C. EUGENE LAIR	Senior Vice President
EDWARD A. OTOCKA	Senior Vice President
CHARLES S. WEBSTER	Senior Vice President

VICE PRESIDENTS

JOSEPH H. BURGESS, JR.	THOMAS K. KRUG
VAL B. DIEHL	FRANK K. MONTGOMERY, JR.
CECIL C. GAREY	EDWIN F. MUNDY
FRANK J. GURGONE	ROBERT M. SCHAEBERLE
FARISH A. JENKINS	HARRY F. SCHROETER
ROY K. KELLEY	JAMES O. WELCH
WILLIAM E. MACKAY, Vice President and General Counsel	

KENNETH M. HATCHER	Secretary and Treasurer
WARREN J. ROBERTSON	Controller

Principal Domestic Bakeries and Plants

BISCUIT AND CRACKER BAKERIES

Atlanta, Georgia
Chicago, Illinois
Denver, Colorado
Fair Lawn, New Jersey
Houston, Texas
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Portland, Oregon
St. Louis, Missouri

CEREAL PLANTS

Battle Creek, Michigan
Chester, Pennsylvania
Minneapolis, Minnesota
Niagara Falls, New York
Oakland, California

FLOUR MILLS

Carthage, Missouri
Cheney, Washington
Toledo, Ohio

SPECIALTY BAKERIES AND PLANTS

BREAD AND CAKE BAKERIES

Albany, New York
Birmingham, Alabama
Buffalo, New York
Burlington, Vermont
Cleveland, Ohio
Elmira, New York
Glens Falls, New York
Houston, Texas
Plattsburgh, New York
Rochester, New York
Syracuse, New York

Beacon, New York	<i>(printing plant)</i>
Buffalo, New York	<i>(pet foods)</i>
Cambridge, Massachusetts	<i>(candy)</i>
Dayton, Ohio	<i>(ice cream cones)</i>
Evanston, Illinois	<i>(machine shop)</i>
Fair Lawn, New Jersey	<i>(research and development)</i>
Holland, Michigan	<i>(Holland Rusk)</i>
Los Angeles, California	<i>(candy)</i>
Lyons, New York	<i>(dates and fruits)</i>
Mansfield, Massachusetts	<i>(candy)</i>
Marseilles, Illinois	<i>(paperboard, printing)</i>
Woodbury, Georgia	<i>(dates and pimientos)</i>
York, Pennsylvania	<i>(pretzels)</i>

International Subsidiaries

AUSTRALIA:
Nabisco, Pty., Limited

CANADA:
Christie, Brown & Company, Limited
Matthews-Wells Company, Limited
Nabisco Limited:
Christie's Bread Division
Nabisco Foods Division

ENGLAND:
Nabisco Frears Biscuits Limited
Nabisco Limited

FRANCE:
Biscuits Belin, S.A.
Biscuits Gondolo, S.A.

GERMANY:
Harry Trueller GmbH

MEXICO:
Nabisco-Famosa, S.A.

NEW ZEALAND:
Griffin and Sons, Limited

PUERTO RICO:
Arbona Hermanos Division

VENEZUELA:
Nabisco-La Favorita, C.A.



NATIONAL BISCUIT COMPANY, 425 PARK AVENUE, NEW YORK, N.Y. 10022

Transfer Agent:
Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N. Y. 10015

Registrar:
The First National City Bank of New York
55 Wall Street, New York, N. Y. 10015

Debenture Trustee:
Bankers Trust Company
280 Park Avenue, New York, N. Y. 10017

